

	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (%p.a.)
Income Distribution	0.5	1.3	2.8	4.4	6.8	6.4	5.8
Capital Growth	2.1	-2.7	-8.5	-9.8	-1.2	-1.9	-0.1
Total Return	2.6	-1.3	-5.6	-5.4	5.6	4.5	5.6
Franking Credits [#]	0.1	0.7	1.3	2.0	2.3	2.2	2.0
Income Distribution including Franking Credits	0.6	2.0	4.1	6.4	9.1	8.6	7.8
Benchmark Yield* including Franking Credits	0.1	1.2	2.9	5.8	6.3	6.2	6.0
Excess Income to Benchmark[#]	0.5	0.8	1.2	0.6	2.8	2.4	1.8

[#]Franking credits are an estimate as tax components will only be known with certainty at the end of the financial year. [^]Since inception: December 2005. Past performance is not a reliable indicator of future performance. *S&P/ASX300 Franking Credit Adjusted Daily Total Return Index (Tax Exempt) Yield.

Overview

- Global markets rebounded strongly in January, with the S&P500 +7.9%, FTSE 100 +3.6%, Nikkei 225 +3.8% and Shanghai Composite +3.6%.
- The Australian market also performed strongly, finishing the month +3.9%, bringing the total return for the last 12 months back to a positive +1.1%.
- The rally was broad-based, with both cyclical and defensive sectors rising and financials the only sector to deliver a negative return.
- The market is currently trading close to its long-term average, with a FY20 P/E ratio of 14.4x and offering an attractive gross dividend yield of over 6.0%, presenting many very good value opportunities available for investors with a longer-term time horizon.

Distribution Yield



Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Perennial Value Shares for Income Trust

The objective of the Trust is to provide investors with an attractive level of tax effective income, paid via monthly distributions. The Trust aims to provide a gross distribution yield, adjusted for applicable franking credits, above that provided by the S&P/ASX300 Franking Credit Adjusted Daily Total Return Index (Tax-Exempt).

Portfolio Manager	Trust FUM	
Stephen Bruce	AUD \$28 million	
Distribution Frequency	Minimum Initial Investment	
Monthly	\$25,000	
Trust Inception Date	Fees	APIR Code
December 2005	0.92%	IOF0078AU

Portfolio Characteristics – FY20	Trust	Index
Price to Earnings (x)	12.8	14.4
Price to Free Cash Flow (x)	12.1	14.4
Gross Yield (%)	8.0	6.3
Price to NTA (x)	2.0	2.2

Source: Perennial Value Management. As at 31 January 2019.

The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

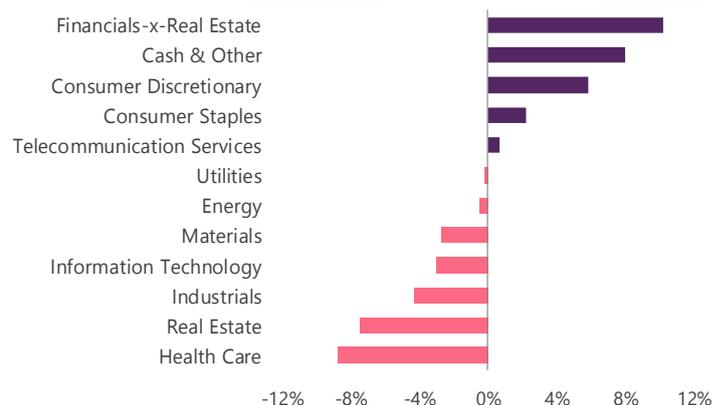
Franking Levels (%)

FY	Franking Level (%)	FY	Franking Level (%)
FY18	99.2	FY15	88.4
FY17	65.6	FY14	115.0
FY16	55.9	FY13	97.8

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

Global markets rallied strongly during January as investors started the new year in positive spirits. The Australian market also performed very well over the month to close up +3.9%. The Resources sector again led the way (+9.1%), driven by strong performances from Rio Tinto (+10.9%) and BHP (+5.9%), on the back of ongoing resilience in the iron ore price. Energy stocks also performed well as the oil price recovered, with Woodside Petroleum (+9.6%). Mining services holdings Seven Group (+11.4%) and Ausdrill (+5.9%) also rallied in anticipation of increasing activity levels in the resources sector.

Other stocks which performed well included Magellan Financial Group (+21.2%), which rallied on the back of strong performance fees and Telstra (+9.1%), which rebounded after TPG's announcement that it was ceasing the rollout of its competing mobile network. Tabcorp (+8.4%) rallied on expectations of a strong result from its lotteries business and Macquarie Group (+7.2%) rose as sentiment to markets improved. Coles (+6.6%), Downer (+5.8%), Caltex (+5.3%) and AGL Energy (+4.0%) also outperformed.

Stocks which detracted from performance included Platinum Asset Management (-7.2%), which declined after announcing that it did not expect to receive any performance fees for the half – a reminder of the how difficult it has been for value investors over recent years. Other stocks which underperformed included Star Entertainment (-2.6%) and Event Hospitality (-0.6%).

The major banks were also softer, declining an average of -1.0% as the final report from the Royal Commission approached. The Trust was also impacted in a relative sense by its underweight position in the REITs. This is a sector of the market where we see considerable downside risk, with full valuations and slowing earnings.

Trust Activity

During the month we increased our position in Amcor. This is a solid company, with defensive earnings and stands to benefit from its pending merger with US peer Bemis. At month end, stock numbers were 32 and cash was 8.0%.

Market Review – Australia (%)

S&P/ASX300 Accumulation Index	+3.9
Energy	+11.5
Materials	+7.0
Industrials	+3.4
Consumer Discretionary	+4.3
Health Care	+3.9
Financials-x-Real Estate	-0.3
Real Estate	+6.0
Information Technology	+8.8
Telecommunication Services	+7.7
Utilities	+5.9

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Distribution

In order to provide a regular income stream, the Trust pays monthly distributions. We will aim to pay equal cash distributions each month, based on our estimate of the income to be generated over the year. Franking credits and any realised capital gains will then be distributed, as per usual, with the June distribution. This aims to give investors more certainty over their income payments.

Outlook

The market is currently trading close to its long-term average, with a FY20 P/E ratio of 14.4x and offering an attractive gross dividend yield of over 6.0%.

Within the overall market, we are currently finding many good value, high-yielding investment opportunities. Across both the industrial and resources sectors, we are seeing many quality companies trading on attractive valuations which should deliver solid returns to investors from these levels.

By contrast, there remain large pockets of expensive growth and momentum style stocks which present significant de-rating risks if the lofty growth rates implied in their valuations are not able to be met. We do not hold these types of stocks as they do not meet our value criteria.

The Trust continues to offer a higher forecast gross yield than the overall market and, as always, our focus will continue to be on investing in quality companies which are offering attractive valuations and have the ability to deliver high levels of franked dividend income to investors. Further, we believe the current very low interest rates highlight the relative attractiveness of financially-sound, high dividend yielding equities.

Global, Currency & Commodities (%)

S&P500	+7.9
Nikkei225	+3.8
FTSE100	+3.6
Shanghai Composite	+3.6
RBA Cash Rate	1.50
AUD / USD	+3.6
Iron Ore	+17.5
Oil	+15.0
Gold	+3.0
Copper	+5.8